GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3009
ANSWERED ON:07.12.2001
ECONOMIC GROWTH
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Will the Minister of FINANCE be pleased to state:

(a) whether the Prime Minister`s economic advisory council has warned that the spending has to be controlled within prudent limits;

(b) if so, whether they have criticised the Government for over-spending to the limits of budget provisions;

(c) if so, to what extent the warnings of economists have affected the Government strategy that has been formulated to bring economy back on a high growth path; and

(d) the steps the Government propose now to take to improve the economy?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a), (b), (c) & (d): An overwhelming opinion expressed in the meeting of the Economic Advisory Council chaired by the Prime Minister on September 10, 2001 did not favour resort to pump priming. The views and suggestions from various organisations including the Economic Advisory Council provide inputs in formulating policies keeping in view the government`s broad policy objectives and overall macro-economic situation. With a view to promoting growth, the broad strategy has been enunciated in the Budget Speech for 2001-02. The budget for 2001-2002 has provided enhanced central plan outlays for key infrastructure sectors and increased emphasis has been placed on accelerating capital investment expenditure. Besides, Reserve Bank of India on the basis of a review of macro-economic and monetary developments took certain monetary measures in October 2001 to meet credit growth and support revival of investment demand consistent with price stability. These measures included further reduction in the bank rate from 7 per cent to 6.5 per cent, rationalization and reduction in the Cash Reserve Ratio for the banking system and reduction in the maximum interest rate chargeable on export credit by1.0 percentage point for a period of six months with effect from September 26, 2001. These specific measures to stimulate demand in the backdrop of budget strategy are expected to have a favourable impact on growth.